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European Union

Market Development Reports

EU Proposals to Mercosur and Chile

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Report Highlights:

On Thursday, July 5, the EU presented a proposal and timetable for tariff eliminations leading to a trade agreement with Mercosur (Argentina, Brazil, Paraguay and Uruguay) that would ultimately include all tradeable goods and services. The following week, the EU presented a similar proposal to Chile.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2], E2

On Thursday, July 5, the EU presented a proposal and timetable for tariff eliminations leading to a trade agreement with Mercosur (Argentina, Brazil, Paraguay and Uruguay) that would ultimately include all tradeable goods and services. The following week, a similar proposal was presented to Chile. Both proposals include four main categories of agricultural products for eventual elimination of tariffs and two additional categories covering more sensitive products for gradual liberalization and preferential tariff quotas. Wines and spirits are set for gradual liberalization in an unspecified time-frame, during which time concurrent negotiations for an agreement on geographical appellations and recognition of current practices in wine-making will be completed. Mercosur countries and Chile must now decide on what tariff concessions to offer the EU in return. Both are expected to present counter proposals within three months.

While the lists of specific products under the proposals are confidential, reports indicate that tariff elimination would be phased-in in four stages as follows:

1) Immediately upon signing an agreement:

-Mercosur: some fresh produce, including avocados, grapefruit, nuts, some tropical fruits, pears and apples (from April to July only), out-of-season fruit, oranges and small lemons imported during May and October; certain vegetable oils (not including olive oil), tuna, salmon, and some wood products;

-Chile: mainly apples and pears; some processed products;

2) Phased in over four years in four equal steps:

-Mercosur: horsemeat, onions, garlic, mushrooms, apples and pears imported between January and March, plums, table grapes, pineapples, melons, strawberries and some other tropical fruits, dried fruit, other vegetable oils, cut flowers, plants and bulbs, turkey meat preparations, shrimps and squid;

-Chile: mainly fresh table grapes and plums; additional processed products;

3) Over seven years in seven equal steps:

-Mercosur: processed fruit and vegetables (tomatoes, olives, nuts), fruit juices (orange, lemon, grapefruit and tropical fruits), oranges imported in April, limes and other tropical fruits, processed poultry meat and offal, some vegetables (including asparagus and lettuce) and frozen hake (fish) meat;

Chile: mainly blackberries and raspberries; remaining processed products;

4) Over ten years in ten equal steps:

Mercosur: pigmeat, honey, corned beef and other processed meats; other processed fruits and vegetables, frozen orange juice and frozen fish fillets;

Chile: other fresh fruit (peaches, nectarines, clementines) and honey.

For a fifth category of particularly sensitive products, the EU proposes to negotiate preferential tariff rate quotas or case-by-case concessions on duties. For Mercosur, this category includes: cereals, rice, olive oil, dairy products, chicken, tobacco, fruits and vegetables currently imported under special arrangements (including bananas). For Chile: sheep, goat and poultrymeat.

For both Mercosur and Chile, imports of wines and spirits would be gradually liberalized at an unspecified time. Concurrently, the EU proposes to negotiate agreements on geographical appellations and recognition of current practices in the wine-making industry.

Approximately Euro 127 million of trade in fishery products was left out of the liberalization proposal for Mercosur, reportedly due to EU hopes to later negotiate a return to fishing rights in Mercosur waters.

The EU proposals did not include concessions on domestic agricultural subsidies, which the EU considers to be covered under WTO negotiations.